

VZCZCXRO0900  
RR RUEHDE  
DE RUEHBUL #3077/01 2761335  
ZNR UUUUU ZZH  
R 031335Z OCT 09  
FM AMEMBASSY KABUL  
TO RUEHC/SECSTATE WASHDC 1808  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC 0894  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHNR/AMEMBASSY NAIROBI 0074  
RUEHIL/AMEMBASSY ISLAMABAD 7961  
RUEHAD/AMEMBASSY ABU DHABI 1996  
RUEHDE/AMCONSUL DUBAI 7064  
RUEHDO/AMEMBASSY DOHA 0507

UNCLAS SECTION 01 OF 02 KABUL 003077

SENSITIVE  
SIPDIS

DEPT FOR SRAP, SCA/FO, SCA/RA, SCA/A, and EEB/IFD/ODF  
DEPT PASS AID/ASIA BUREAU  
CENTCOM FOR CSTC-A, USFOR-A  
TREASURY FOR MHIRSON, ABAUKOL, AWELLER, AND MNUGENT

E.O.12958: N/A

TAGS: [EFIN](#) [EINV](#) [PGOV](#) [EAID](#) [ETRD](#) [AF](#)

SUBJECT: Expanding Mobile Money Services in Afghanistan

¶1. (SBU) SUMMARY: Mobile commerce (mCommerce), also known as mobile money (mMoney), offers an opportunity to increase rapidly access to financial services in Afghanistan, particularly in rural areas. Moreover, mobile money, with proper regulatory safeguards, advances anti-corruption efforts, for example by establishing a secure system for police, civil servants, and military personnel to receive their salaries. It can also help combat illicit financing. In February 2008, Afghanistan's leading telecommunications operator Roshan launched M-Paisa, a mobile payment system modeled on a highly successful money transfer service in Kenya. M-Paisa has registered over 80,000 subscribers in Afghanistan (10,000 of which are active) and is expected to grow in the coming months. We are encouraging the expansion of mobile money service in Afghanistan, including piloting an initiative to link M-Paisa technology with two microfinance institutions (MFIs). End Summary.

#### Status of Mobile Money Development in Afghanistan

¶2. (SBU) In February 2008, Afghanistan's leading telecommunications operator Roshan launched M-Paisa, a money transfer service, to provide registered customers a safe, effective and affordable means to transfer money using their mobile phones. The platform, developed in partnership with Vodafone, is modeled on Vodafone's highly successful M-Pesa mobile money transfer service in Kenya. M-Paisa is an innovative solution for Afghans who do not have bank accounts or a means to transfer money. The service has over 80,000 subscribers supported by about 600 agents across the country.

¶3. (SBU) Roshan also plans to apply M-Paisa in other ways to spur financial sector growth. In addition to piloting initiatives to facilitate disbursement/repayment of microfinance loans, Roshan is conducting a trial to facilitate money transfers for the payment of 47 police salaries in Wardak province. Roshan plans to expand this program over time to include the entire Afghanistan National Police (ANP) and the Afghanistan National Army (ANA). By providing the Afghan National Security Forces (ANSF) a formal, transparent mechanism to deliver salaries to their families, mMoney and services like it that may develop will help mitigate soldier absences after they are paid and reduce opportunities for corruption (e.g., salary skimming).

¶4. (SBU) The Da Afghanistan Bank (DAB, Central Bank) recently drafted and distributed a comprehensive regulation that covers the mCommerce sector to protect against systemic risk, ensure consumer protection, and implement anti-money laundering measures. The regulation would limit the number of mobile banking agents, as well as the daily (\$600) and monthly

(\$3,000) remittance amounts per customer. These limits are not dissimilar to those set in other parts of the world, including Kenya and the Philippines. Roshan aims to have the remittance values raised, however, something which will require further discussion with the DAB Supervision Department.

Untapped Opportunity for Mobile Commerce in Afghanistan

15. (SBU) Mobile network technology is an innovative solution for reaching the unbanked in Afghanistan. The rapid growth of mobile payment technologies in recent years in countries such as Kenya and the Philippines demonstrates that there is demand and means among low-income users to adopt mobile technology. Benefits include improved security, reduced travel costs, and less queuing time. Telecom companies, banks, and microfinance institutions realize extending financial services to the poor through mobile technology can be profitable due to significantly lower service delivery costs.

16. (SBU) Afghanistan's financial sector needs innovative methodologies to broaden access to the formal financial sector. While a formal banking infrastructure is emerging with 17 registered commercial banks and 16 MFIs, it remains largely inaccessible to Afghans living in remote areas, particularly in insecure provinces in the south and east. Moreover, the microfinance sector reaches less than 15 percent of the 3.5 million potential clients in Afghanistan. Outreach to the small and medium enterprise (SME) sector is even lower, with market penetration of less than 1 percent. Furthermore, almost 70 percent of the microfinance sector's clients are

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urban, with over 40 percent located in the region in and around Kabul.

17. (SBU) Commercial banks and MFIs recognize Afghan migrant workers, who typically send money back to their families, need quick and efficient money transfer services. These institutions also find it cost prohibitive to build brick-and-mortar branches in sparsely populated areas of the country, a problem compounded by insecurity. Road and transportation networks in Afghanistan's rural provinces are still being rehabilitated, remain poor, making it hard for loan officers to reach out regularly to rural clients and deters travel to the nearest provincial centers to repay loans. All of these factors make Afghanistan a good testing ground for mCommerce.

EIKENBERRY